

## **SUPPLEMENTAL SCHEDULE D.**

### **Statewide Capital Planning**

The SSB does not have projects falling under the requirements of Article IX, Section 11.03, General Appropriations Act, 2018-19 Biennium, for the 2022-23 biennium.

## **SUPPLEMENTAL SCHEDULE E.**

### **Health and Human Services Strategic Planning**

Strategic Plan, Schedule E, is not applicable to the SSB.

## **SUPPLEMENTAL SCHEDULE F.**

### **Agency Workforce Plan**

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#### I. Overview

Pursuant to the requirements of The Securities Act, Tex. Gov't Code Sections 4001.001-4008.105 (previously Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45) (The Securities Act or Act), the mission of the State Securities Board is to protect investors. The agency's strategic goal is to pursue that mission through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas. The objectives to achieve the goal are to bring law enforcement actions against those who violate The Securities Act, guarantee that registered securities offerings are in compliance with the Act, guarantee that persons registered or authorized are qualified to deal with the investing public, and inspect dealers and investment advisers.

Through the State Securities Board's law enforcement strategy, the agency investigates suspected violations of the Act and, when appropriate, pursues administrative enforcement actions or refers matters for civil action or criminal prosecution.<sup>4</sup> The agency also provides investigative, trial, and appellate assistance to prosecutors upon request for the matters referred for criminal action. The securities registration strategy analyzes applications for registration of securities and processes notice filings for offerings in Texas to ensure that they are made in compliance with the Act and Board Rules. The agency also reviews applications for registration of dealers, agents, investment advisers, and investment adviser representatives filed with the agency and processes notice filings of investment advisers and investment adviser representatives doing business in the state to ensure that only qualified firms and individuals are authorized to deal with the investing

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<sup>4</sup> See generally <https://www.ssb.texas.gov/news-publications/news-releases>; <https://www.ssb.texas.gov/news-publications/enforcement-actions-administrative>; & <https://www.ssb.texas.gov/news-publications/enforcement-actions-criminal-civil>.

public in Texas. Through the inspections and compliance strategy, the agency inspects the records of registered dealers and investment advisers to ensure that these registrants are acting in compliance with the Act and Board Rules and, in appropriate circumstances, pursues actions to sanction registrants found to have violated those requirements.

There are no anticipated changes to the mission, strategies, or goals of the agency over the next five years.

The overwhelming percent of agency staff are attorneys, financial examiners, accountants, information technology specialists, and other professionals. In order to effectively protect Texas investors without restraining capital formation efforts by legitimate issuers and dealers, agency employees must be well-educated, knowledgeable, and adequately trained to make prompt and accurate recommendations and decisions concerning complex fraudulent schemes, illegal sales practices, compliance with regulatory requirements, and plans of business for firms and individuals dealing in securities and rendering investment advice. The agency expends significant resources to ensure that employees receive adequate training and have the necessary support to effectively perform this important work.

As with other financial regulatory agencies, the State Securities Board is competing not only against private industry, but also with other regulators in this region. Securities regulation in the United States is comprised of federal, state, and self-regulatory entities employing legal, analytical, inspection, and investigation professionals. This regulatory structure lends itself to movement of staff between the regulators based on compensation packages.

Although the State Securities Board is authorized under the General Appropriations Act for 92 FTEs, the agency currently employs less than 74 FTEs, primarily as a result of turnover in professional positions and a lack of sufficient appropriations to adequately fund a career ladder for those positions. Since May 2020, the agency has observed increased difficulties in filling open positions. The appropriations process has failed in recent years to provide adequate funds to permit the State Securities Board to make appropriate use of the existing state salary structure for financial examiners and attorneys based on years of experience, advanced training, and higher levels of competence and responsibility.

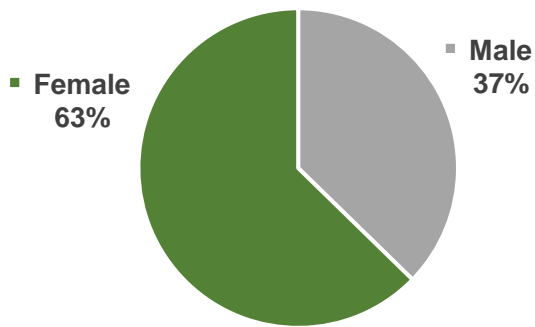
Losing experienced and well-trained professionals represents not only a significant loss of investment in time and money to the agency and the State, but also a loss to taxpayers and to the applicants, registrants, and the industry as well -- who would otherwise benefit from the efficiency experienced through well-trained professionals performing an inspection, investigation, or analysis of a complex securities filing. As senior public servants depart the agency through retirement, institutional knowledge is lost. In just the inspections program, staff attrition has reached 50% since fiscal 2021.

Although the salaries of the agency cannot be expected to compete favorably with those of the private sector, the significant pay disparities that exist between the salaries paid by the agency and those of other regulators performing the same or similar work needs to be corrected to maintain an effective workforce into the future. As an improved salary structure is implemented, the investing public and regulated industry will realize increased protections and efficiencies.

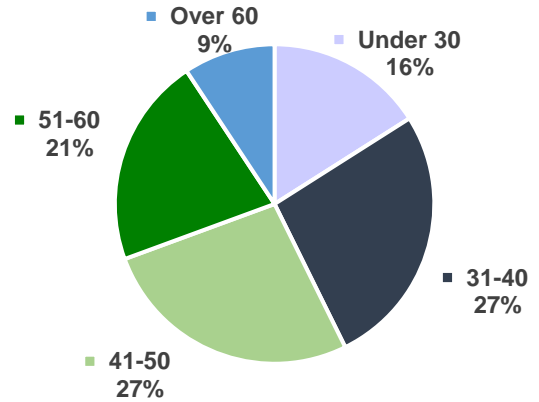
## II. Current Workforce Profile

Information relating to the proportional composition of the staff of the State Securities Board as of May 2022 is set forth in the following charts:

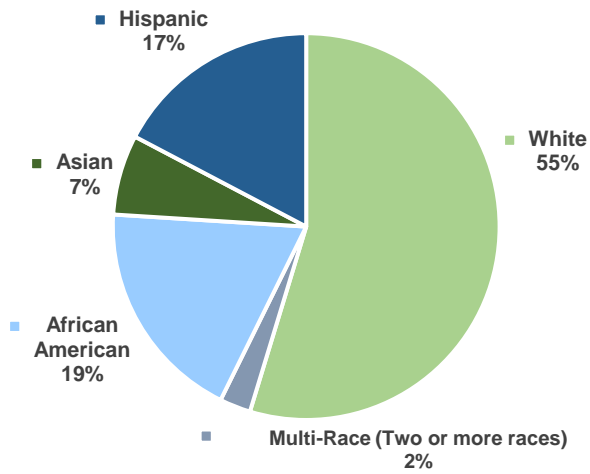
### Gender



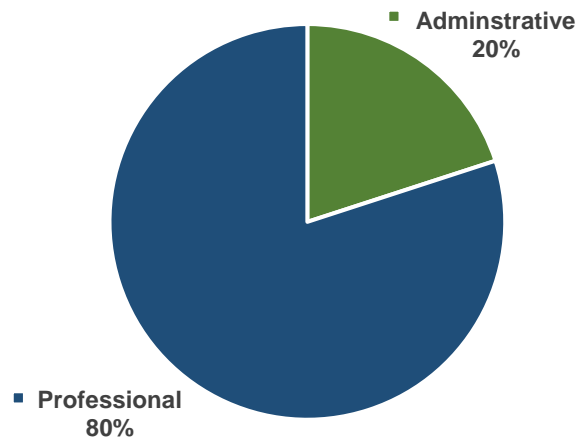
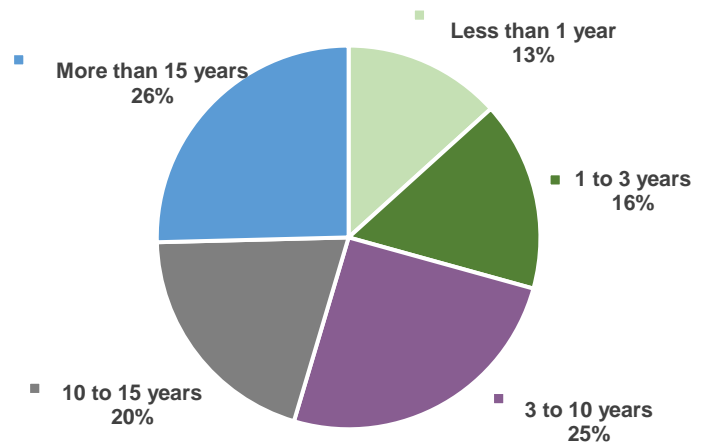
### Age



### Ethnicity



### Length of Service



The agency will be challenged in the next five years as approximately 22.7% of its workforce becomes eligible for retirement. The agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills however turnover impedes this focus.

The State Securities Board had an overall turnover rate of approximately 16.2% in fiscal year 2021. The overall rate for fiscal 2020 was 15.1%. The State Auditor's Office previously reported agency turnover of 14.5% for fiscal 2019, 19.6% for fiscal 2018 and 20.8% for fiscal 2016. Based on recent turnover rates, staffing levels are expected to be a continued pressure point for the agency during the current strategic planning period. This includes employees who are eligible to retire during the period. The expected turnover rate could be greater than expected if the agency cannot improve the sufficiency of funding to address salary issues as noted above.

### III. Future Workforce Profile

The professional workforce skills that are critical to the mission and goals of the agency in Enforcement include: education in law or accounting; extensive knowledge of securities laws and regulations; demonstrated legal and financial analytical abilities; excellent written and oral communication skills; experience in administrative, civil, or criminal litigation and proceedings; and experience in complex financial investigations and audits. The professional skills necessary in Inspections and Compliance include: excellent written and oral communication skills; experience in financial auditing; extensive knowledge of securities laws and regulations; litigation experience in an administrative forum and ability to travel extensively throughout the state. The professional skills necessary in the dual functions of Registration include: education in law, accounting, or finance; extensive knowledge of securities laws and regulations; excellent oral and written communication skills; experience in analysis of registration applications, complex disclosure documents, balance sheets, income statements and sources and uses of capital; and expertise in negotiating with issuers, underwriters, and legal counsel to create disclosure language in materials distributed to prospective investors. The workforce for each of the agency's strategies must also be proficient in using current technologies including computer hardware and software.

Continued increases in population, registration filings, matters requiring law enforcement action, and other components of the workload of the agency may require an increase in the number of employees needed to do the work. As referenced herein, the agency workload has increased during 2018 with the implementation of Section 45 vulnerable victim legislation and the emergence of cryptocurrency-related markets.

The critical functions that must be performed to achieve the strategic plan are law enforcement, registration of securities, registration of securities dealers, investment advisers, and their agents, and inspections of dealers and investment advisers.

### IV. Gap Analysis

The Agency relies heavily on attorneys and financial professionals. These positions have historically been difficult to recruit and that is expected to continue unless the Agency can implement a plan to improve salary parity with like organizations. The difficulty in receiving applications, much less applications from qualified candidates, has been exacerbated since the pandemic.

## V. Strategy Development

The agency's goal is to retain its professional workforce and to meet the special needs described above. Despite compensation inequities, the agency has benefited from its culture, dedicated staff, and their buy-in to the agency's mission of investor protection.

Future changes in the organizational structure may be necessary to respond to changing workloads, and new initiatives to ensure that the mission of the agency is accomplished efficiently. The agency has been proactive in evaluating its organizational structure – responsibilities have recently been consolidated; positions, including senior staff positions, have been eliminated; and a single purpose field office closed in an effort to mitigate the compensation constraints described above and provide the Texas taxpayer with maximum value. The agency will continue to utilize a wide range of recruiting sources to secure the maximum number of qualified applicants, including minorities and women, for positions within all classifications.

The securities industry is technologically advanced and dynamic. Substantial training is required to maintain the necessary knowledge related to this industry. Training for employees on current technological enhancements is a critical component in enabling the agency to remain current on ways to counter new, innovative methods of committing securities fraud.

The agency will also continue to sponsor formal and informal on-the-job training and in-house programs for employees and, when possible, provide funding for workshops, seminars, and other programs offered by universities, other agencies, and private entities to develop leadership and career development. While the agency takes great pride in the quality of its in-house training programs – focusing on regulatory training and continuing legal education, the SSB will continue to leverage its resources by maximizing zero-to-low-cost training opportunities resulting from its membership and active leadership role in the North American Securities Administrators Association.

Succession planning will remain an ongoing process of recruitment, retention, methodical development of required skills through training and experience, cross-training, and careful evaluation of individual job performance. This will maintain the depth of skilled personnel at key positions on the agency's career ladder to ensure continuation of the efficiency and effectiveness of the agency.

The State Securities Board's aspirational goal is to be the best state securities regulator in the country through meaningful investor protection efforts benefitting our Texas investors, as well as our neighbors, and their legitimate Texas business and industry

counterparts.

## **SUPPLEMENTAL SCHEDULE G.**

Workforce Development System Strategic Planning is not applicable to the State Securities Board.

## **SUPPLEMENTAL SCHEDULE H.**

The State Securities Board *Report on Customer Service* May 2022.